



# **Fairfax County Internal Audit Office**

**Department of Administration for Human Services  
Business Process Audit Report**

**February 2004**

*"promoting efficient & effective local government"*

# Executive Summary

We found that controls over employee time and attendance, business travel, fixed asset record keeping, and departmental computing were adequate and operating effectively. There was also proper segregation of duties between the collection of Showmobile fee payments and the leasing of the Showmobiles. However, compliance with County policies and procedures related to procurement, invoice payment processes, and personnel evaluations, needs to be improved.

The primary issues noted were:

- Vendor invoices were entered into CASPS with the date of the invoice rather than the date of receipt, resulting in early payment to the vendors which in turn results in less funds available to the County for investment.
- Controls over placing orders, maintaining documentation to support the approval and receipt of orders, and reconciling of transactions related to procurement from Office Depot were not adequate. In addition, the department had not established written procedures for procuring from Office Depot.
- A significant percentage (67%) of employee evaluations tested was completed late, ranging from 1 month to 14 months past their due dates.

## Scope and Objectives

This audit was performed as part of our Fiscal Year 2003 Annual Audit Plan and was conducted in accordance with Generally Accepted Government Auditing Standards. The audit covered the period of July 1, 2002, through June 30, 2003, and our audit objectives were:

1. To review processes and determine compliance with applicable regulations and guidelines.
2. To evaluate internal controls over the following business processes:
  - Recruiting and hiring
  - Personnel time and attendance
  - Personnel evaluations
  - Fixed Asset Recordkeeping and Accountability
  - Business Travel
  - Procurement payments
  - Fee collections
  - Departmental computing processes and procedures.

The scope of our audit included a review of management and internal controls which focus on the business processes of the Department of Administration for Human Services during FY 2003. Our audit did not include testing of procurement cards because a detailed procurement card review was performed in March of 2003. In addition we did not review the processes that DAHS performs for other agencies. The audit of these functions will be deferred until we audit the agencies involved.

# Methodology

Our audit approach included interviewing appropriate employees, observing employees' work functions and detail testing of the department transactions on a sample basis. We evaluated the processes for compliance with Accounting Technical Bulletins, Personnel Regulations and Department of Purchasing and Supply Management Guidelines.

## Findings, Recommendations, and Management Response

### 1. Vendor Payments

Vendor payments were not being made in accordance with the General Conditions & Instructions to Bidders. Our review of Purchase Order (PO), Small Purchase Order (SO), and Blanket Purchase Order (BP) transactions revealed that payments were being made early and not net 30 in accordance with policy. All of the invoices reviewed were posted incorrectly to the system using the invoice date rather than the receipt date, resulting in early payment to the vendor. We were unable to determine the average early payment time as the receipt date was not indicated on the invoice.

Per the General Conditions & Instructions to Bidders, payment due dates are to be calculated based upon the later of the date of receipt of goods or the receipt of a correct invoice by the specific department. In addition, unless a prompt payment discount is offered, terms are construed to mean net 30 days. Departmental staff have not been processing invoices in accordance with the training they receive prior to gaining access to CASPS and FAMIS. If vendor payments are made early, rather than in accordance with net 30 days contract terms, the County will not be maximizing funds on hand that are available for investment.

**Recommendation:** Invoices should be date stamped upon receipt to ensure that the appropriate date is available for employees to input to CASPS when processing payments. This will ensure that vendors are paid in accordance with contract terms.

**Management Response:** Effective October 1, 2003, all invoices will be date stamped when they are received. All staff who input purchase documents or make payments through the CASPs and/or Harmony systems will enter the date in which the invoice or other documents are actually received, as noted by the stamped date.

### 2. Office Depot Procurements

Controls over procurement from Office Depot were not adequate. Departments can purchase from Office Depot via fax, phone and the internet. However, DAHS management was unaware of both the number of employees placing orders and the processes through which orders were being placed. Documentation supporting orders was incomplete and there was no control in place to ensure that orders were being properly approved and charged. DAHS procedures for procuring from Office Depot have not been established and monitoring controls are not sufficient.

Our review revealed the following:

1. There was no evidence to indicate that orders were received for 75% of the orders reviewed.
2. The packing slip could not be compared with the original for 25% of the orders as the original order was not maintained on file.
3. There was no evidence to indicate that 25% of the orders were properly approved.
4. There was no consistency in the processes being used by DAHS employees when ordering and documenting their orders.
5. FAMIS transactions reconciliations were not performed.

Department of Purchasing and Supply Management guidelines recommend that the receipt of goods be evidenced by a signature on the packing list or delivery slip. Fax orders must contain an authorized signer. The effect of controls not being in place was that DAHS had not way to determine that orders were proper or amounts charged were accurate.

**Recommendation:** All Office Depot orders should be made via the internet or other means which will provide DAHS with a sufficient audit trail and with a clear separation of duties established for ordering and approving the order. Additionally, reconciliation responsibilities should be performed by someone other than the person recording the transactions thereby having separation of duties within the reconciliation process for both Office Depot as well as other FAMIS transactions. The department should establish their own written procedures according to DPSM guidelines.

**Management Response:** The Department of Administration for Human Services has established a written policy which provides the guidelines for the ordering and receiving of all Office Depot orders. All orders will be accomplished via the internet. All orders will be routed to the Director's Assistant for releasing. Only staff listed by the Procurement Team Manager to initiate orders will be authorized to do so. All orders will be received and "checked in" by a person other than the person who placed the order.

### 3. Employee Evaluations

We tested 15 employees and 10 (or 67%) had evaluations that were completed late, ranging from 1 month to 14 months past their due dates. This high percentage of untimely evaluations was confirmed by the agency/countywide comparative statistical report, dated 5/23/03, regarding the timeliness of FY 2003 reviews prepared by DAHS. The report shows the percentage of late performance reviews countywide as 21.1%, in contrast to DAHS' 79.5%.

Chapter 12.4, part. 1-c of the County's Personnel regulations states that "all non-probationary employees shall be evaluated formally, in writing, at least annually, not later than three weeks before the annual performance pay increase due date."

Quarterly, DAHS-HR was preparing a listing of evaluations due, as well as those past due from prior quarters, and sending it to the responsible business area managers for appropriate action. However, supervisors were not giving high priority to the tasks of preparing evaluations and reviewing them with the employees, resulting in the extremely high percentage of untimely evaluations for DAHS, compared to the County as a whole.

The impact of late evaluations is that additional tedious and unnecessary work has to be done to effect pay adjustments. This often necessitates obtaining Time and Attendance reports from Human Resources and recalculating the employee's hourly rates due to changes in the pay scales before or after the merit review date. In addition, the untimely submission of evaluations could result in employee complaints and lower employee morale.

**Recommendation:** Personnel evaluations should be completed in a timely manner. Supervisors should be instructed to elevate this task to a higher priority on their job schedule and develop a timeline for the completion of all evaluations due for the fiscal year.

**Management Response:** Business Managers have been instructed by the Agency Director to immediately inform and include, on all staff having supervisory responsibilities, a performance element to rate them for the task of completing staff performance evaluations in a timely fashion. Business Managers have been instructed to discontinue the practice of accepting excuses from the supervisory staff for the lateness of completing their subordinates' evaluations. Business Managers have been instructed to inform their supervisory staff of the importance of completing and submitting all performance evaluations to the DAHS-HR staff on time and to consider any notice, notification, reminders, etc. from the DAHS-HR staff as a directive from the Agency Director. All DAHS staff have been formally notified that effective immediately, late performance evaluations will be reflected in their performance evaluations. In addition, performance evaluations more than two pay periods late will require a written response to the Director as to why it was not done on time. This process was started on July 3, 2003.